

Township of Clark, Michigan

BASIC FINANCIAL STATEMENTS

June 30, 2008

CLARK TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

LINDA HUDSON

TOWNSHIP TREASURER

KATIE VANEENENAAM-CARPENTER

TOWNSHIP CLERK

CATHY NORDQUIST

TOWNSHIP TRUSTEE

MIKE LOFDAHL

TOWNSHIP TRUSTEE

DANA LEACH

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Fund:	
Statement of Net Assets.....	15
Statement of Revenues, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17
Fiduciary Fund:	
Statement of Fiduciary Net Assets	18
NOTES TO FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds:	
Budgetary Comparison Schedule – General Fund.....	32
Budgetary Comparison Schedule – Road Fund	34
Budgetary Comparison Schedule – Ambulance Fund.....	35

TABLE OF CONTENTS (Continued)

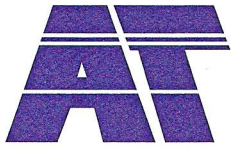
Page

OTHER SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds.....	36
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	37

REPORTS ON COMPLIANCE:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Schedule of Findings and Responses	40



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Clark Township
Cedarville, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4 to the financial statements, records were not available to support the cost of certain general infrastructure and capital assets, and, accordingly, did not have records supporting its depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase or decrease the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund, is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities, and major enterprise fund, of Clark Township, Michigan, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each major governmental fund and the aggregate remaining fund information of Clark Township, Michigan as of June 30, 2008 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008 on our consideration of Clark Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark Township, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

September 26, 2008

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 3.5% from a year ago increasing from \$2,953,109 to \$3,055,765.

In a condensed format, the table below shows the net assets of Clark Township.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	\$ 2,530,892	\$ 2,503,186	\$ 84,561	\$ 56,091	\$ 2,615,453	\$ 2,559,277
Capital Assets	786,259	795,164	3,039,569	3,105,866	3,825,828	3,901,030
Total Assets	3,317,151	3,298,350	3,124,130	3,161,957	6,441,281	6,460,307
Current Liabilities	155,139	139,043	4,377	34,376	159,516	173,419
Noncurrent Liabilities	3,226,000	3,333,779	-	-	3,226,000	3,333,779
Total Liabilities	3,381,139	3,472,822	4,377	34,376	3,385,516	3,507,198
Net Assets						
Invested in Capital Assets -						
Net Related of Debt	533,745	524,452	3,039,569	3,105,866	3,573,314	3,630,318
Unrestricted	(597,733)	(698,924)	75,184	16,715	(522,549)	(682,209)
Restricted	-	-	5,000	5,000	5,000	5,000
Total Net Assets	\$ (63,988)	\$ (174,472)	\$ 3,119,753	\$ 3,127,581	\$ 3,055,765	\$ 2,953,109

The negative balance in unrestricted net assets of the Township's governmental activities is caused by the accounting of the sewer debt and the related capital assets. The capital assets are accounted for in the business-type activities column or sewer fund. However, the debt for the sewer capital assets is recorded under governmental activities because the debt is paid with taxes and special assessments.

The current level of total net assets for the Township as a whole stands at \$3,055,765.

The following table shows the activities of the Township.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for Services	\$ 286,131	\$ 275,641	\$ 282,933	\$ 227,292	\$ 569,064	\$ 502,933
Operating Grants and Contributions	97,471	118,964	-	-	97,471	118,964
General Revenues						
Property Taxes	682,838	802,241	-	-	682,838	802,241
State-Shared Revenues	150,598	150,834	-	-	150,598	150,834
Other	40,476	22,602	-	-	40,476	22,602
Investment Earnings (Loss)	24,614	22,998	783	687	25,397	23,685
Transfers	(72,000)	(114,139)	72,000	114,139	-	-
Total Revenues	<u>1,210,128</u>	<u>1,279,141</u>	<u>355,716</u>	<u>342,118</u>	<u>1,565,844</u>	<u>1,621,259</u>
Program Expenses						
Legislative	57,775	51,592	-	-	57,775	51,592
General Government	332,961	313,020	-	-	332,961	313,020
Public Works	236,554	255,846	-	-	236,554	255,846
Public Safety	98,424	65,889	-	-	98,424	65,889
Health and Welfare	66,188	61,106	-	-	66,188	61,106
Recreation and Culture	39,504	49,721	-	-	39,504	49,721
Interest Expense	155,557	163,040	-	-	155,557	163,040
Other Expenses	81,525	37,060	-	-	81,525	37,060
Depreciation Expense	31,156	21,511	-	-	31,156	21,511
Sewer	-	-	363,544	432,459	363,544	432,459
Total Expenses	<u>1,099,644</u>	<u>1,018,785</u>	<u>363,544</u>	<u>432,459</u>	<u>1,463,188</u>	<u>1,451,244</u>
Changes in Net Assets	110,484	260,356	(7,828)	(90,341)	102,656	170,015
Net Assets – Beginning	(174,472)	(434,828)	3,127,581	1,367,589	2,953,109	932,761
Prior Period Adjustment	-	-	-	1,850,333	-	1,850,333
Net Assets – Ending	<u>\$ (63,988)</u>	<u>\$ (174,472)</u>	<u>\$ 3,119,753</u>	<u>\$ 3,127,581</u>	<u>\$ 3,055,765</u>	<u>\$ 2,953,109</u>

Governmental Activities

The Township's total governmental revenues decreased by approximately \$69,013, primarily due to an Ambulance/Fire millage of \$167,400 and several new grants that the Township was awarded in 2007 but not received in 2008.

Expenses increased by about \$80,859 during the year. This was primarily the result of an increase in activities for various grant-funded projects.

General government activities include projects such as curbs, gutters and drainage to protect the adjacent sidewalk on M-134 which runs from the school corner to the Laundromat in Cedarville; excavation of the recreation park area behind the Township Hall; planning and zoning updates; adding new content and features to website. Many other activities this year were internal improvements such as establishing new procedures for service contracts, special events, setting policies and other controls to better document and improve procedures, processes and organization.

Business-Type Activities

The Township's only business-type activity is the sewer. They provide sewer service to approximately 836 customers (residential and commercial). Sewer revenues in 2008 were greater, because of additional customers hooking on to the system and a \$6.00 per quarter increase in quarterly user fees. Sewer expenses rose from the prior year due to increased maintenance costs because of aging lift stations and legal expenses.

Activities in the Sewer Department this year include research into adding new users from a proposed private system on Marquette Island (Les Cheneaux Club), reactivating the Sewer Advisory Board by appointing members, providing for a stipend, and setting regular meeting dates every other month. The Sewer Advisory Board has been reviewing the Sewer Ordinance for clarification and updates. They will also work with the Township and Wastewater Treatment staff to plan for future repair, replacement and any expansion projects.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, Road, Ambulance, Sewer, and Sewer Expansion Funds.

The General Fund pays for most of the Township's governmental services. The most significant is general government, which incurred expenses of approximately \$349,846 in 2008. These services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Revenues exceeded expectations by \$24,628. Township departments overall did not exceed the budget, resulting in total expenditures \$36,751 under budget. This caused the General Fund's fund balance to increase from \$184,411 a year ago to \$198,313 at June 30, 2008.

Changes in revenue were due to:

- The General Fund “Other” expenditures increased by \$5,000, which was Tribal 2% monies received to be passed through for grooming of the Snowmobile Trails.
- General Fund Ambulance revenues exceeded expectations by about 30%, due in part to more ambulance runs and better control over receivables.
- Hessel Marina revenues are down \$2,000 because of gas prices and other economic stressors. In anticipation of a subsequent poor economy, \$5,000 less has been budgeted for 2009.
- A “Sale of Assets” occurred as a result of the old ambulance being marketed on eBay for \$10,010.
- Increased revenue of “Interest on Taxes and Savings” of \$5,000 in General Fund as we renegotiated and combined checking and savings into interest-bearing municipal accounts, resulting in higher interest earnings.
- The Bike Path Project was not ready to seek grants but did raise \$4,000 in fundraiser events and \$8,875 in donations.
- The Fire Fund revenue came in \$12,000 under budget due to grants and donations being less than anticipated.
- In Ambulance Fund 211, revenues exceeded expectations by \$7,000 in “Interest Income” due to a delay in delivery of Fire Department Tanker, and we opened a new certificate of deposit.
- The Township received \$10,000 in funding from Mackinac County for the Recreation Park project which was used for a new well, pump and irrigation system for the softball fields.
- The Recreation Committee raised \$5,500 in advertising for the 2009 Photo Calendar fundraising project.
- The \$25,000 Recreation grant was not issued as first thought, but will be expensed directly by the Lions Club as a collaboration in the development of the Ball Field
- The General Fund was repaid \$30,000, which was loaned to Sewer O&M – Fund #590 last fiscal year; this transaction is reflected in the Balance Sheet and not as a part of regular budgetary activity. (“Transfer In” will not show the \$30,000 which was originally budgeted.)
- Grant Revenue was \$30,000 under budget, as not all of the contracted tasks were completed; the draw from DEQ planning/zoning grant was not completed until after the end of fiscal year.
- Over all, Sewer O&M Fund revenues were \$10,000 higher than expected, with increases of over \$5,000 in “Delinquent Sewer Fee” collections; \$17,000 in “Other” (reimbursements, insurance claim, repair of grinders for Brevort Twp.); and, almost \$30,000 in user fees. But revenues were lower than expected, as the anticipated Les Cheneaux Club Sewer was delayed in tying-in with the Township system (\$25,000 Hook-Up Fee), as well as “Hook-Ups” and “Grinder Fees”.

- Sewer Expansion/Special Assessment Fund # 528 experienced an increase in Special Assessment Payments of over \$19,000 due, in part, to early pay-offs.

While some of the expenditures were lower than anticipated, others were higher at year end due to changes or impacts of unanticipated events:

- Approximately \$15,000 in Road Funds was held over to go toward planned paving of Park Ave. and Tassier Ave. in Cedarville in FY 2009.
- The Bike Path Committee did not spend \$20,000 in capital improvements, instead reserving \$16,000 toward FY 2009-2010 projects.
- Fire Department (Fund 211) experienced delays and vendor problems on the purchase of the new Water Tanker, which has not yet been delivered. The appropriation of \$228,780 "Equipment – Capital Outlay" will be reserved for expenditure in FY 2009.
- "Legal Fees" were up \$20,000 in the General Fund due to the appeal under "Governmental Immunity" for Sewer Liability case being heard in the Michigan Court of Appeals.
- Some General Fund expenditures came in under original budget due to: elected officials' salary increases, which were not implemented; Public Works "Construction" which was not completed; planning project expenses coming in slower; and, numerous small economies in many blocks.
- General Fund experienced excess expenditures in "Township Halls and Grounds," "Community Center," "Public Utilities" – many of these were due to increases in heating and fuel. "Insurance and Bonds" was increased by almost \$10,000, as this expense was correctly reapportioned with the Sewer insurance portion.
- Sewer Operation & Maintenance (O&M) expenses increased by \$27,000 overall. "Utilities," "Heating Oil," and "Gasoline" combined account for almost \$12,000. Other increases were in "Repair" of system, \$14,000 due in part to repair and environmental remediation of a leak at the chemical station on the corner of 4 Mile Block and Kromiller Road.
- Some Sewer O&M expenses came in less than anticipated: "Training and Consulting" was under by \$8,000, which was budgeted to hire a Financial Advisor for the Sewer Dept.; but this project was rescheduled for FY 2009. Additionally, "Maintenance Supply" came in at about \$17,000 less.
- The Sewer Operations & Maintenance paid back \$30,000, which was loaned in 2008 by the General Fund. This transaction is reflected in the Balance Sheet.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$3,825,828 invested in a broad range of capital assets, including land, buildings, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Mackinac County Road Commission (along with the responsibility to maintain them). The Township is also working on updating its physical inventory of capital assets in order to rectify issues discussed in Note 4. The Township reduced its outstanding debt by \$103,475 to an ending balance of \$3,332,225.

Economic Factors and Next Year's Budgets and Rates

The Township's 2009 budget calls for no increase in property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township may grow less than by inflation, before considering new property additions.

Early in FY 2009, the Township will hire a financial advisor to perform a rate study and an analysis of the status of the sewer funds, the special assessment district and the sustainability of the sewer system into the future. The rates will likely be increased during next year.

Budget items for 2009

Fire Department: In August 2006, a millage was passed by the voters supporting a 1 mil increase for one year only to help purchase a new ambulance for the Ambulance Corps and a new tanker truck for the Fire Department. This millage raised approximately \$167,400. The Township has budgeted an additional \$180,000 from a special emergency vehicle fund to pay the difference. The new ambulance has been received and is in operation. Delivery of the tanker truck has run into a problem with the manufacturer/vendor. The tanker has been reordered from a new vendor and is expected sometime in late 2008 or early 2009.

The Fire Department also has a wish list which includes turn-out gear, ice rescue equipment and other equipment and tools, for which the Firefighters have been holding fundraising activities and writing for grant funding.

Recreation Park: Excavation of the Township Recreation Park is completed; a picnic pavilion has been erected as a donation by McMaken Construction. An opportunity was presented by a \$10,000 contribution from Mackinac County to install a well and irrigation network for the park, which has been completed over Fall 2007 and Summer 2008. With the money from the County, it made practical sense to do the irrigation phase prior to putting in the ball fields. More brush and rock removal has been accomplished in preparation for the construction of ball fields, which will begin in summer 2009. The Lions Club is also playing a large role helping to fund the ball fields. Businesses, organizations, and individuals have pledged contributions of money, materials, and labor toward various venues in the park. Other funding strategies are in progress, such as the Photo Calendar fundraiser, which may bring in up to \$18,000. The Recreation Fund will see numerous adjustments over the course of the 2009 fiscal year and development will move forward as funding revenues are received.

Planning & Zoning: Funding has been committed to updating the Master Plan and a complete revamping of Zoning Ordinances. Grants of \$25,000 from the DEQ Costal Zone Management Program, \$5,250 from the Les Cheneaux Community Foundation (received in 2007), and \$1,000 from Les Cheneaux Islands Association (received in 2007) have been awarded to the Township to accomplish this large project. The Les Cheneaux Watershed Project has also become a significant collaborator in the project as to water quality protection issues, pledging up to \$7,325 toward public meetings and workshops. Gourdie Fraser has been hired as consultant and the project will unfold over the 2008 and 2009 fiscal years.

Les Cheneaux Bike Path: The Clark Township Bike Path Committee is working with municipalities from St. Ignace to Drummond Island to complete a non-motorized path, which they are calling the *North Huron Scenic Pathway*. A pre-engineering study has been completed for our segment of the path, paid for by a grant from the Les Cheneaux Community Foundation (\$10,000). The Committee is going to write a grant from the DALMAC biking group for \$4,400 to be used for signage for the recently designated bike routes in Cedarville and Hessel areas. Next winter will be spent writing grants and planning fundraising strategies. The 2009 budget will be adjusted to accommodate this project, once funds are confirmed.

Roads: Clark Township voters passed a 5-year millage renewal for Road maintenance in 2005, which will bring in approximately \$179,000 in revenue for 2008/2009. Scheduled improvements include: Swede Road, Park Avenue, and Tassier Ave.

Marina: \$3,500 is budgeted to repair the roof overhang on the Marina building in Hessel.

Sewer Department: The Township has budgeted \$8,000 for ACI Finance, a consultant who will do an analysis of the Sewer Funds, including a rate study. The project is planned for Summer 2008 and ACI will advise the Township how to plan for the needs of system operation and maintenance; future repair and replacement as the system ages; how to prepare for future expansion; and how to insure that the Township is able meet current and future debt obligations.

DPW: Due to the Fire Department tanker truck being larger than anticipated, a parking problem for the emergency vehicles had to be resolved. In order to park the vehicles in such a manner that they can be deployed quickly in an emergency the Department of Public Works (DPW) was moved temporarily to the old Ambulance Hall in Hessel. Since most of the Sewer customers are in Cedarville, this location is not cost effective and a new location should be found for the DPW, hopefully in the near term. A new business plan must be developed for the DPW in the upcoming fiscal year(s).

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at (906) 484-2672.

Basic Financial Statements

Clark Township, Michigan

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business-type Activities	Totals
ASSETS:			
Current Assets			
Cash & Equivalents - Unrestricted	\$ 988,411	\$ 38,681	\$ 1,027,092
- Restricted	-	5,000	5,000
Accounts Receivable	47,717	40,880	88,597
Taxes Receivable	1,721	-	1,721
Special Assessments Receivable	1,492,920	-	1,492,920
Other Assets	123	-	123
Total Current Assets	2,530,892	84,561	2,615,453
Noncurrent Assets			
Capital Assets (Not Depreciated)	152,128	12,795	164,923
Capital Assets (Net of Accumulated Depreciation)	634,131	3,026,774	3,660,905
Total Noncurrent Assets	786,259	3,039,569	3,825,828
TOTAL ASSETS	\$ 3,317,151	\$ 3,124,130	\$ 6,441,281
LIABILITIES:			
Current Liabilities			
Accrued Liabilities	\$ 7,386	\$ 4,377	\$ 11,763
Accounts Payable	2,445	-	2,445
Accrued Interest Payable	36,794	-	36,794
Capital Leases	2,289	-	2,289
Installment Loans	10,225	-	10,225
Bonds Payable	96,000	-	96,000
Total Current Liabilities	155,139	4,377	159,516
Noncurrent Liabilities			
Installment Loans	240,000	-	240,000
Bonds Payable	2,986,000	-	2,986,000
Total Noncurrent Liabilities	3,226,000	-	3,226,000
TOTAL LIABILITIES	3,381,139	4,377	3,385,516
NET ASSETS:			
Invested in Capital Assets - net of related debt	533,745	3,039,569	3,573,314
Restricted	-	5,000	5,000
Unrestricted	(597,733)	75,184	(522,549)
TOTAL NET ASSETS	\$ (63,988)	\$ 3,119,753	\$ 3,055,765

Clark Township, Michigan

Statement of Activities For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Legislative	\$ 57,775	\$ -	\$ -	\$ -	\$ (57,775)	\$ -	\$ (57,775)
General Government	332,961	14,549	65,365	-	(253,047)	-	(253,047)
Public Works	236,554	16,268	715	-	(219,571)	-	(219,571)
Public Safety	98,424	36,993	16,013	-	(45,418)	-	(45,418)
Health & Welfare	66,188	85,791	5,108	-	24,711	-	24,711
Recreation and Culture	39,504	38,416	10,270	-	9,182	-	9,182
Interest Expense	155,557	94,114	-	-	(61,443)	-	(61,443)
Other Expenses	81,525	-	-	-	(81,525)	-	(81,525)
Depreciation Expense - Unallocated	31,156	-	-	-	(31,156)	-	(31,156)
Total Governmental Activities	1,099,644	286,131	97,471	-	(716,042)	-	(716,042)
Business-type Activities:							
Sewer	363,544	282,933	-	-	-	(80,611)	(80,611)
Total Business-type Activities	363,544	282,933	-	-	-	(80,611)	(80,611)
Total Primary Government	<u>\$ 1,463,188</u>	<u>\$ 569,064</u>	<u>\$ 97,471</u>	<u>\$ -</u>	<u>(716,042)</u>	<u>(80,611)</u>	<u>(796,653)</u>
General Revenues:							
Taxes					682,838	-	682,838
State Revenue Sharing					150,598	-	150,598
Other					40,476	-	40,476
Investment Earnings (Loss)					24,614	783	25,397
Transfers					(72,000)	72,000	-
Total General Revenues and Transfers					826,526	72,783	899,309
Changes in Net Assets					110,484	(7,828)	102,656
Net Assets - Beginning					(174,472)	3,127,581	2,953,109
Net Assets - Ending					<u>\$ (63,988)</u>	<u>\$ 3,119,753</u>	<u>\$ 3,055,765</u>

See accompanying notes to financial statements.

Clark Township, Michigan

Balance Sheet Governmental Funds June 30, 2008

	General	Road Fund	Ambulance	Sewer Expansion	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents	\$ 159,619	\$ 196,038	\$ 295,533	\$ 236,206	\$ 101,015	\$ 988,411
Accounts Receivable	47,717	-	-	-	-	47,717
Taxes Receivable	808	476	-	282	155	1,721
Special Assessments Receivable	-	-	-	1,492,920	-	1,492,920
Other Assets	-	-	-	-	123	123
Due from Other Funds	-	-	-	-	2,489	2,489
TOTAL ASSETS	\$ 208,144	\$ 196,514	\$ 295,533	\$ 1,729,408	\$ 103,782	\$ 2,533,381
LIABILITIES:						
Accounts Payable	\$ 2,445	\$ -	\$ -	\$ -	\$ -	\$ 2,445
Accrued Liabilities	7,386	-	-	-	-	7,386
Due to Other Funds	-	-	-	2,489	-	2,489
Deferred Revenue	-	-	-	1,492,920	-	1,492,920
TOTAL LIABILITIES	9,831	-	-	1,495,409	-	1,505,240
FUND BALANCES:						
Unreserved						
Undesignated	198,313	196,514	295,533	233,999	103,782	1,028,141
TOTAL FUND BALANCES	198,313	196,514	295,533	233,999	103,782	1,028,141
TOTAL LIABILITIES AND FUND BALANCES	\$ 208,144	\$ 196,514	\$ 295,533	\$ 1,729,408	\$ 103,782	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						786,259
Special Assessments recognized under full accrual accounting						1,492,920
Long-term notes, leases and bonds payable for governmental activities						(3,334,514)
Accrued interest payable						(36,794)
Net assets of governmental activities						\$ (63,988)

See accompanying notes to financial statements.

Clark Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2008

	General	Road Fund	Ambulance	Sewer Expansion	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 329,906	\$ 174,342	\$ -	\$ 133,915	\$ 44,675	\$ 682,838
Special Assessments	-	-	-	144,312	-	144,312
Federal Sources	4,247	-	-	-	-	4,247
State Sources	154,777	-	-	-	-	154,777
Local Sources	46,939	-	-	-	10,000	56,939
Charges for Services	174,914	-	-	-	10,253	185,167
Contributions	-	-	5,108	-	26,998	32,106
Interest & Rentals	17,186	-	7,047	6,113	1,118	31,464
Other Revenue	24,631	10,567	79	84	5,115	40,476
TOTAL REVENUES	752,600	184,909	12,234	284,424	98,159	1,332,326
EXPENDITURES:						
Legislative	57,775	-	-	-	-	57,775
General Government	349,846	-	-	-	-	349,846
Public Works	67,250	169,304	-	-	-	236,554
Public Safety	96,174	-	2,165	-	85	98,424
Health & Welfare	66,188	-	-	-	-	66,188
Recreation and Culture	37,647	-	-	-	1,857	39,504
Debt Service	25,798	-	-	209,173	29,900	264,871
Capital Outlay	-	-	-	-	43,871	43,871
Other Expenditures	43,020	-	-	-	-	43,020
TOTAL EXPENDITURES	743,698	169,304	2,165	209,173	75,713	1,200,053
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,902	15,605	10,069	75,251	22,446	132,273
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	5,000	-	-	-	-	5,000
Operating Transfers Out	-	-	-	(72,000)	(5,000)	(77,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	13,902	15,605	10,069	3,251	17,446	60,273
FUND BALANCES, JULY 1	184,411	180,909	285,464	230,748	86,336	967,868
FUND BALANCES, JUNE 30	\$ 198,313	\$ 196,514	\$ 295,533	\$ 233,999	\$ 103,782	\$ 1,028,141

See accompanying notes to financial statements.

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2008**

Net Changes in fund balances – total governmental funds	\$ 60,273
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Special assessments revenue is not recognized under the modified accrual basis of accounting until received, rather than as it accrues.	(50,198)
Repayment of principal on long-term debt	108,198
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(8,905)
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues.	<u>1,116</u>
Changes in net assets – statement of activities	<u>\$ 110,484</u>

**Statement of Net Assets
Proprietary Fund
June 30, 2008**

	Business-type Activities Enterprise Fund
	Sewer
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 38,681
- Restricted	5,000
Accounts Receivable	40,880
Total Current Assets	84,561
Noncurrent assets	
Capital Assets (net of accumulated depreciation)	3,039,569
 TOTAL ASSETS	 \$ 3,124,130
LIABILITIES:	
Current Liabilities	
Accrued Liabilities	\$ 4,377
 TOTAL LIABILITIES	 4,377
NET ASSETS:	
Invested in Capital Assets	3,039,569
Unreserved	75,184
Reserved	5,000
 TOTAL NET ASSETS	 3,119,753
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,124,130

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Fund
For the Year Ended June 30, 2008**

	Business-type Activities <u>Enterprise Fund</u> <u>Sewer</u>
OPERATING REVENUES:	
Charges for Services	\$ 265,352
Other	<u>17,581</u>
Total Operating Revenues	<u>282,933</u>
OPERATING EXPENSES:	
Employee Wages & Benefits	124,779
Fees for Services	19,470
Supplies	384
Fuel	11,305
Insurance	7,746
Repairs & Maintenance	61,481
Small Tools & Equipment	21
Depreciation Expense	76,051
Utilities	50,535
Training	1,690
Miscellaneous	<u>10,082</u>
Total Operating Expenses	<u>363,544</u>
Operating Income (Loss)	<u>(80,611)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest on Deposits	<u>783</u>
Total Non-Operating Revenues (Expenses)	<u>783</u>
Income (Loss) Before Transfers	(79,828)
Transfers In	<u>72,000</u>
Changes in Net Assets	(7,828)
NET ASSETS, JULY 1	<u>3,127,581</u>
NET ASSETS, JUNE 30	<u><u>\$ 3,119,753</u></u>

**Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008**

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers/Payments (to) from Other Governmental Units	\$ 231,212
Payments to Suppliers	(162,714)
Payments to Employees	<u>(124,777)</u>
Net Cash Provided (Used) by Operating Activities	<u>(56,279)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Operating Transfers In	<u>72,000</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>72,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(9,754)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,754)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Deposits	<u>783</u>
Net Cash Provided (Used) by Investing Activities	<u>783</u>
Net Increase (Decrease) in Cash and Equivalents	6,750
Balances - Beginning of the Year	<u>36,931</u>
Balances - End of the Year	<u><u>\$ 43,681</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (80,611)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	76,051
Change in Assets and Liabilities:	
Accounts Receivable	(21,721)
Due to Other Funds	(30,000)
Accrued Liabilities	1,833
Other Liabilities	<u>(1,831)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (56,279)</u></u>

**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008**

	<u>Trust & Agency</u>
ASSETS:	
Cash & Equivalents	<u>\$ 5,598</u>
 TOTAL ASSETS	 <u><u>\$ 5,598</u></u>
LIABILITIES:	
Due to Other Governments	<u>\$ 5,598</u>
 TOTAL LIABILITIES	 <u><u>\$ 5,598</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clark Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Clark Township ("The Township") is a general law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including public safety, community enrichment and development, public works, recreation and culture, and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Clark Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Clark Township.

Clark Township has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 39 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

Component Units:

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

Blended Component Units

Clark Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Clark Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B – Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which, rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Township first utilizes restricted resources to finance qualifying activities.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable – Current or Property Taxes

The Clark Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Clark Township as of the preceding December 31st.

The 2007 taxable valuation of Clark Township totaled \$178,323,972, on which ad valorem taxes levied consisted of 1.4728 mills for the Township operating, .9771 mills for Roads, .2500 for Sewer Debt, and .7500 mills for Sewer Expansion Debt; raising \$262,636 for general operating, \$174,240 for Roads, \$44,581 for Sewer Debt, and \$133,743 for Sewer Expansion Debt. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund

This fund accounts for the revenue collected to repair and maintain roads within the Township.

Ambulance Fund

This fund accounts for ambulance equipment replacement.

Sewer Expansion fund

This fund accounts for activities that create and maintain the sewer system within Clark Township.

The Township reports the following major business-type fund:

Sewer Fund

This fund accounts for activities that operate the sewer system within the Township.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. The period of coverage for insurances at the Township coincides with its fiscal year. Therefore, insurance premiums are expensed.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Sewer System	40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the board level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>
Cash and Equivalents –			
Unrestricted	\$ 988,411	\$ 38,681	\$ 5,598
Restricted for Maintenance	<u>-</u>	<u>5,000</u>	<u>-</u>
Total	<u>\$ 988,411</u>	<u>\$ 43,681</u>	<u>\$ 5,598</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts	\$ 931,336	\$ 5,598
Certificates of Deposit	<u>100,756</u>	<u>-</u>
Total	<u>\$ 1,032,092</u>	<u>\$ 5,598</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Investment and Deposit Risk**

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$755,588 of the Township's bank balance of \$1,033,742 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Adjustments/ Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 152,128	\$ -	\$ -	\$ 152,128
Subtotal	<u>152,128</u>	<u>-</u>	<u>-</u>	<u>152,128</u>
Capital assets being depreciated:				
Buildings	595,296	-	-	595,296
Machinery and equipment	<u>157,019</u>	<u>22,251</u>	<u>-</u>	<u>179,270</u>
Subtotal	<u>752,315</u>	<u>22,251</u>	<u>-</u>	<u>774,566</u>
Less accumulated depreciation for:				
Buildings	97,376	15,557	-	112,933
Machinery and equipment	<u>11,903</u>	<u>15,599</u>	<u>-</u>	<u>27,502</u>
Subtotal	<u>109,279</u>	<u>31,156</u>	<u>-</u>	<u>140,435</u>
Net Capital Assets Being Depreciated	<u>643,036</u>	<u>(8,905)</u>	<u>-</u>	<u>634,131</u>
Total Capital Assets - Net of Depreciation	<u>\$ 795,164</u>	<u>\$ (8,905)</u>	<u>\$ -</u>	<u>\$ 786,259</u>

Depreciation expense for the fiscal year of \$31,156 was not allocated to various governmental activities since the assets serve multiple functions.

Business-type Activities:

Capital assets not being depreciated:				
Land	\$ 12,795	\$ -	\$ -	\$ 12,795
Subtotal	<u>12,795</u>	<u>-</u>	<u>-</u>	<u>12,795</u>

NOTE 4 -CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Adjustments/ Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Buildings	29,217	-	-	29,217
Machinery and equipment	189,477	9,754	-	199,231
Sewer system	<u>4,143,085</u>	<u>-</u>	<u>-</u>	<u>4,143,085</u>
Subtotal	<u>4,361,779</u>	<u>9,754</u>	<u>-</u>	<u>4,371,533</u>
Less accumulated depreciation for:				
Buildings	29,217	-	-	29,217
Machinery and equipment	147,198	19,842	-	167,040
Sewer system	<u>1,092,293</u>	<u>56,209</u>	<u>-</u>	<u>1,148,502</u>
Subtotal	<u>1,268,708</u>	<u>76,051</u>	<u>-</u>	<u>1,344,759</u>
Net Capital Assets Being Depreciated	<u>3,093,071</u>	<u>(66,297)</u>	<u>-</u>	<u>3,026,774</u>
Total Capital Assets – Net of Depreciation	<u>\$ 3,105,866</u>	<u>\$ (66,297)</u>	<u>\$ -</u>	<u>\$ 3,039,569</u>

Supporting information for the cost of capital assets and depreciation expense was not available. Depreciation expense for Business-Activities was charged to the Sewer Fund in the amount of \$76,051.

NOTE 5 - LONG-TERM DEBT

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Clark Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds.

Changes in long-term debt during the year ending June 30, 2008 are summarized as follows:

	<u>Balance 07/01/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>	<u>Due Within One Year</u>
Governmental Activities:					
1972 Mackinac County Sanitary Sewage Disposal System Revenue Bonds, maturing serially to 2012 in annual amounts ranging from \$22,000 to \$24,000 and bearing interest of 5% semiannually.	\$ 120,000	\$ -	\$ 24,000	\$ 96,000	\$ 24,000

NOTE 5 - LONG-TERM DEBT (Continued)

	Balance 07/01/07	Additions	Deductions	Balance 06/30/08	Due Within One Year
Mackinac County Sanitary Sewage Disposal System #2 Bonds, Series 2002, maturing Serially to 2030 in annual amounts ranging from \$45,000 to \$155,000 and bearing interest of 2.0% to 5.125% semiannually.	2,220,000	-	55,000	2,165,000	60,000
Mackinac County Sewage Disposal System Bonds, Series 1999, maturing semiannually to 2039 in annual amounts ranging from \$9,000 to \$51,000 and bearing interest of 3.5347% semiannually.	832,000	-	11,000	821,000	12,000
Township Hall financing with Rural Development, due in annual installments of \$6,000 to \$19,000 through 2028, interest of 4.75% due semiannually.	254,000	-	7,000	247,000	7,000
Land financed with First National Bank, due in annual installments of \$6,500 through 2009, interest of 5.35% due semiannually.	9,700	-	6,475	3,225	3,225
TOTAL LONG-TERM OBLIGATIONS	\$ 3,435,700	\$ -	\$ 103,475	\$ 3,332,225	\$ 106,225

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	Governmental Activities	
	Principal	Interest
2009	\$ 106,225	\$ 146,302
2010	104,000	141,996
2011	110,000	137,507
2012	117,000	132,724
2013	98,000	127,630
2014-2018	559,000	569,487
2019-2023	695,000	429,741
2024-2028	891,000	243,944
2029-2033	379,000	70,820
2034-2038	215,000	28,718
2039-2040	58,000	901
Total	\$ 3,332,225	\$ 2,029,770

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payables are as follows:

		DUE TO OTHER FUNDS	
		Nonmajor Governmental Funds	
DUE FROM OTHER FUNDS	Sewer Expansion	\$	<u>2,489</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		TRANSFERS OUT		
		Sewer Expansion	Nonmajor Governmental Funds	Total
TRANSFERS IN	General Fund	\$ -	\$ 5,000	\$ 5,000
	Sewer Operations	<u>72,000</u>	<u>-</u>	<u>72,000</u>
	Total	<u>\$ 72,000</u>	<u>\$ 5,000</u>	<u>\$ 77,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE AND DEFERRED REVENUE

At the time special assessments are approved, the amount of the assessments and related deferred revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 40 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. The deferred revenue is recognized ratably over the term of the assessment. In the government-wide statements revenue is recognized when the improvement is completed.

NOTE 8 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2008.

NOTE 10 - COMMITMENTS

The Township has executed contracts with the Mackinac County Road Commission for improvements and maintenance to the road systems of the Township to be performed in the subsequent fiscal years. These contracts and commitments amounted to \$165,244 and it is anticipated these amounts will be appropriated from current funds available.

NOTE 11 - CAPITAL LEASE OBLIGATIONS

The Township executed a capital lease for the purchase of the equipment listed below:

2009	\$	<u>2,296</u>
Total	\$	2,296
Amount of Interest		<u>(7)</u>
Net Lease	\$	2,289
% Interest		4.601%
Annual Payment	\$	2,556

Required Supplementary Information

Clark Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 259,700	\$ 267,765	\$ 329,906	\$ 62,141
Federal Sources	4,320	4,320	4,247	(73)
State Sources	154,000	154,000	154,777	777
Local Sources	76,100	45,416	46,939	1,523
Charges for Services	198,750	223,104	174,914	(48,190)
Interest & Rentals	9,000	10,116	17,186	7,070
Other Revenue	10,000	23,251	24,631	1,380
TOTAL REVENUES	711,870	727,972	752,600	24,628
EXPENDITURES:				
Legislative:				
Township Board	32,380	59,308	57,775	1,533
General Government:				
Supervisor	42,720	39,939	38,772	1,167
Treasurer	43,050	37,350	36,652	698
Taxes	11,200	14,464	14,464	-
Data Processing	10,500	10,500	9,962	538
Clerk	49,911	46,132	46,031	101
Assessor	73,515	72,274	72,228	46
Board of Review	1,375	921	921	-
Township Hall	50,577	60,768	60,511	257
Hessel Hall	1,184	1,609	1,609	-
Community Center	38,585	44,225	44,164	61
Addressing	300	901	901	-
Elections	2,900	2,753	2,333	420
Cemetery	22,685	22,195	21,298	897
Total General Government	348,502	354,031	349,846	4,185
Public Works:				
Airport	12,980	13,470	13,173	297
Projects	18,250	19,007	7,030	11,977
Public Utilities	20,300	23,365	23,365	-
Solid Waste	22,590	23,682	23,682	-
Total Public Works	74,120	79,524	67,250	12,274
Public Safety:				
Fire Department	35,325	33,044	29,338	3,706
Zoning	62,900	62,316	48,405	13,911
Electrical Inspections	9,760	7,860	7,727	133
Building Inspections	10,725	10,971	10,704	267
Total Public Safety	118,710	114,191	96,174	18,017
Health & Welfare:				
Ambulance	63,283	66,227	66,188	39

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Hessel Beach	1,725	1,725	1,112	613
Docks	35,685	36,585	36,535	50
Total Recreation and Culture	37,410	38,310	37,647	663
Debt Service:				
Principal	13,475	13,475	13,475	-
Interest	12,323	12,323	12,323	-
Total Debt Service	25,798	25,798	25,798	-
Other Expenditures:				
Insurance	31,000	40,933	40,933	-
Other	2,300	2,127	2,087	40
Total Other Expenditures	33,300	43,060	43,020	40
TOTAL EXPENDITURES	733,503	780,449	743,698	36,751
EXCESS OF REVENUES OVER EXPENDITURES	(21,633)	(52,477)	8,902	61,379
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	35,000	35,000	5,000	(30,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 13,367	\$ (17,477)	13,902	\$ 31,379
FUND BALANCE, JULY 1			184,411	
FUND BALANCE, JUNE 30			\$ 198,313	

Clark Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 174,240	\$ 174,240	\$ 174,342	\$ 102
Other Revenue	-	-	10,567	10,567
TOTAL REVENUES	174,240	174,240	184,909	10,669
EXPENDITURES:				
Public Works	184,400	184,400	169,304	15,096
TOTAL EXPENDITURES	184,400	184,400	169,304	15,096
EXCESS OF REVENUES OVER EXPENDITURES	(10,160)	(10,160)	15,605	25,765
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	10,000	10,000	-	(10,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (160)</u>	<u>\$ (160)</u>	15,605	<u>\$ 15,765</u>
FUND BALANCE, JULY 1			180,909	
FUND BALANCE, JUNE 30			<u>\$ 196,514</u>	

Clark Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Contributions	\$ -	\$ -	\$ 5,108	\$ 5,108
Interest & Rentals	-	-	7,047	7,047
Other Revenue	2,000	2,000	79	(1,921)
TOTAL REVENUES	2,000	2,000	12,234	10,234
EXPENDITURES:				
Public Safety	228,780	228,780	2,165	226,615
Capital Outlay	14,000	14,000	-	14,000
TOTAL EXPENDITURES	242,780	242,780	2,165	240,615
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (240,780)</u>	<u>\$ (240,780)</u>	10,069	<u>\$ 250,849</u>
FUND BALANCE, JULY 1			<u>285,464</u>	
FUND BALANCE, JUNE 30			<u>\$ 295,533</u>	

Other Supplementary Information

Clark Township, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

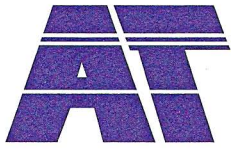
	Special Revenue Funds						
	Recreation Fund	Bike path	Fire Fund	Hessel Marina	Airport Fund	Debt Service	Totals
ASSETS:							
Cash & Equivalents	\$ 12,737	\$ 16,414	\$ 6,669	\$ 5,313	\$ 4,758	\$ 55,124	\$ 101,015
Taxes Receivable	-	-	-	-	-	155	155
Other Assets	-	-	-	-	-	123	123
Due From Other Funds	-	-	-	-	-	2,489	2,489
TOTAL ASSETS	<u>\$ 12,737</u>	<u>\$ 16,414</u>	<u>\$ 6,669</u>	<u>\$ 5,313</u>	<u>\$ 4,758</u>	<u>\$ 57,891</u>	<u>\$ 103,782</u>
FUND BALANCES:							
Unreserved							
Undesignated	<u>\$ 12,737</u>	<u>\$ 16,414</u>	<u>\$ 6,669</u>	<u>\$ 5,313</u>	<u>\$ 4,758</u>	<u>\$ 57,891</u>	<u>\$ 103,782</u>
TOTAL FUND BALANCES	<u>\$ 12,737</u>	<u>\$ 16,414</u>	<u>\$ 6,669</u>	<u>\$ 5,313</u>	<u>\$ 4,758</u>	<u>\$ 57,891</u>	<u>\$ 103,782</u>

Clark Township, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended June 30, 2008

	Special Revenue Funds						Totals
	Recreation Fund	Bike Path	Fire Fund	Hessel Marina	Airport Fund	Debt Service	
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,675	\$ 44,675
Local Sources	10,000	-	-	-	-	-	10,000
Charges for Services	5,500	-	-	4,753	-	-	10,253
Contributions	717	8,875	16,013	678	715	-	26,998
Interest & Rentals	-	-	-	-	-	1,118	1,118
Other	-	4,016	186	-	862	51	5,115
TOTAL REVENUES	16,217	12,891	16,199	5,431	1,577	45,844	98,159
EXPENDITURES:							
Public Safety	-	-	85	-	-	-	85
Recreation & Culture	-	1,857	-	-	-	-	1,857
Debt Service	-	-	-	-	-	29,900	29,900
Capital Outlay	26,026	1,119	9,614	7,112	-	-	43,871
TOTAL EXPENDITURES	26,026	2,976	9,699	7,112	-	29,900	75,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,809)	9,915	6,500	(1,681)	1,577	15,944	22,446
OTHER FINANCING SOURCES (USES):							
Operating Transfers Out	-	-	-	-	(5,000)	-	(5,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(9,809)	9,915	6,500	(1,681)	(3,423)	15,944	17,446
FUND BALANCES, JULY 1	22,546	6,499	169	6,994	8,181	41,947	86,336
FUND BALANCES, JUNE 30	\$ 12,737	\$ 16,414	\$ 6,669	\$ 5,313	\$ 4,758	\$ 57,891	\$ 103,782

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Clark Township
Cedarville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2008, which collectively comprise Clark Township's basic financial statements and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in 08-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of Clark Township in a separate letter dated September 26, 2008.

The Township's response to the findings identified in our audit, are described in the accompanying schedule of findings and responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

September 26, 2008

SIGNIFICANT DEFICIENCIES

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 08-1

Condition: As part of the audit process, the Township, like many other governments, has historically relied on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. The Township requires the assistance of the independent auditors to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the Township's internal controls. By definition, independent auditors cannot be part of the Township's internal controls.

Cause: Change in application of auditing standards.

Recommendation: We recommend the Township consider providing applicable employees with training that would allow them to attain the qualification required to fully understand the GAAP financial statements preparation process. Should the Township choose not to address this issue, management and the Board of Trustees should realize that an increased risk is present.

This recommendation is not intended to imply that the Township's contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed. SAS 112 does not require that management actually prepare the financial statements, but it requires the independent auditors to comment when the applicable internal controls are not in place.

Planned Corrective Action: Historically it has been the practice for the independent auditors of Clark Township to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements. Prior to the current audit, this was not considered a material weakness or deficiency in internal controls of the Township in any way. Management was not required to obtain all of the specific training to create the details of such reports and relied on the auditors for this process.

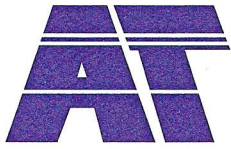
As recommended, the management of the township will now seek to obtain, through education and communications, specific knowledge that was not considered a deficiency prior to SAS 112 to advise the Board of Trustees of options available to address the deficiency. The Township Board of Trustees will need to evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP or outsourcing this task to its external auditors in determining the best interests of the Township.

Contact Person(s) Responsible for Correction:

Linda Hudson, Supervisor

Katie Vaneenenaam-Carpenter, Treasurer

Cathy Nordquist, Clerk



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**OFFICES IN
MICHIGAN & WISCONSIN**

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Trustees
Clark Township
Cedarville, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Clark, Michigan for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 24, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Clark. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Clark's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 24, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Clark, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Policies (Prior Year)

Management of the Township is in the process of updating its policies; we recommend that the following policies be adopted: Authorized Investments, Fraud, Conflict of Interest, Fixed Asset Capitalization, and Purchasing/Procurement.

Response: Policies will be reviewed, updated and/or implemented.

SEC rule 15C2-12 Disclosure Requirements (Prior Year)

SEC Rule No. 240.15c2-12 requires issuers of municipal securities in principal amounts of \$1 million or more or whose outstanding aggregate debt exceeds \$10 million to report financial and operational information as well as notice of material events to nationally recognized municipal securities information repositories annually. With the issuance of the bonds for the sewer system, the Township is subject to these reporting requirements. We recommend that the Township establish a written plan and process to ensure that this report is completed and filed by December 31st of each year.

Response: The Supervisor will implement procedures to ensure that the disclosure requirements are met and that reports are provided to the appropriate institutions by end of the calendar year.

Special Assessments (Prior Year)

The special assessment card file for amounts owed by taxpayers within the sewer special assessment area should be manually added and reconciled to the general ledger quarterly. Alternatively, a spreadsheet by property number could be established and reconciled to the general ledger, to provide accurate and readily accessible information.

Response: Implemented recommendation in September of 2008.

Fraud Policy (Prior Year)

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Conclusion

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Clark Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 26, 2008